

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	



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November 22, 2005

To the Fire Department Board  
Birch Rural Fire Department  
Barry County, Michigan

We have recently completed an audit of the financial statements of Birch Rural Fire Department, Barry County, Michigan for the year ended June 30, 2005. During the course of the audit, the following items came to our attention, which require further comment.

**Budgets Should Be Reviewed on a Periodic Basis**

P.A. 621, 1978 requires governmental units to prepare annual budgets containing an itemized statement for its proposed expenditures and estimated revenues, covering all its departments and activities. The budget for revenue and expenditures of BIRCH Rural Fire Department should be a detailed estimate of all anticipated income and expenditures per the Uniform Chart of Accounts for Local Units of Government.

P.A. 621 of 1978, Section 17, provides that a local unit should amend the expenditures budget when it appears that the budgeted revenues plus available fund balance will be less than anticipated expenditures. In addition, Section 18 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2005, the Fire Department over expended the budget in three areas. The Fire Department should monitor the budget and make amendments as necessary. The Fire Department should also expand the budget and budget for all revenues and expenses. In addition, consideration should be taken at year-end for any known audit adjustments that may arise.

We would like to take this opportunity to thank the Birch Rural Fire Department Treasurer for the cooperation and courtesy extended to us during the audit. If you have any questions or need assistance, do not hesitate to contact us.

*Walker, Fluke & Sheldon, PLC*

**BIRCH RURAL FIRE DEPARTMENT**  
**FINANCIAL STATEMENTS**  
For the year ended June 30, 2005

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
BIRCH Rural Fire Department  
Barry County, Michigan

We have audited the accompanying basic financial statements of BIRCH Rural Fire Department, Barry County, Michigan, as of June 30, 2005 and for the year then ended, as listed in the table of contents. These basic financial statements are the responsibility of BIRCH Rural Fire Department's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of BIRCH Rural Fire Department, as of June 30, 2005, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis and required supplementary information listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying additional supplementary information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of BIRCH Rural Fire Department. This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Hastings, Michigan  
November 22, 2005

*Walker, Fluke & Sheldon, PLC*

## **BIRCH Rural Fire Department Management Discussion and Analysis**

As the Fire Department Board of BIRCH Rural Fire Department, we offer readers of the Fire Department's financial statements this narrative overview and analysis of the financial activities of BIRCH Rural Fire Department for the fiscal year ended June 30, 2005. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Fire Department. We encourage readers to consider this information in conjunction with the letter or transmittal, which begins on page 1, and the financial statements, which begin on page 5.

### Financial Highlights

- The assets of BIRCH Rural Fire Department exceeded its liabilities at the close of the most recent fiscal year by \$515,438 (net assets) compared to \$537,212 last year. Of this amount, \$159,371 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$21,774 compared to a decrease of \$30,448 last year.
- The government's fund balance decreased by \$8,977 compared to a decrease of \$6,385 last year.
- As of the close of the current fiscal year, the Fire Department's governmental funds reported an ending fund balance of \$159,371, compared to ending fund balance of \$168,348 last year.

The basic financial statements include information that presents two different views of the Fire Department:

- The first column of the financial statements includes information on the Fire Department's General Fund under the modified accrual method. These Fund Financial Statements focus on current financial resources and provide a more detailed view about the accountability of the Fire Department's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.
- The government wide financial statement columns provide both long-term and short-term information about the Fire Department's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Fire Department as a whole and present a longer-term view of the Fire Department's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

The financial statements can be found on pages 5-6 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 7-11 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The Fire Department adopts an annual budget for its general fund. Within the required supplementary information, a budget comparison statement has been provided for these funds to demonstrate compliance with the budget.

Required supplementary information can be found on page 12 of this report.

Additional Supplementary information is presented immediately following the required supplementary information on pages 13-15.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of BIRCH Rural Fire Department, assets exceeded liabilities by \$515,438 at the close of the most recent fiscal year compared to \$537,212 last year.

By far the most significant portion of the Fire Department's net assets (69.1 percent) reflects its investment in capital assets (e.g. land, buildings, equipment and furniture and fixtures) (\$356,067). The Fire Department uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Fire Department's net assets (30.9 percent) reflects unrestricted net assets (\$159,371), which may be used to meet the government's ongoing obligations to citizens and creditors. The Fire Department does not have any restricted net assets.

## BIRCH Rural Fire Department's Condensed Financial Data

	<b>Governmental Activities 06/30/05</b>	<b>Governmental Activities 06/30/04</b>
Current and Other Assets	\$ 159,371	\$ 168,348
Capital Assets	<u>356,067</u>	<u>368,864</u>
Total Assets	<u>515,438</u>	<u>537,212</u>
Liabilities	<u>-</u>	<u>-</u>
Net Assets:		
Invested in Capital Assets, Net of related debt	356,067	368,864
Restricted	-	-
Unrestricted	<u>159,371</u>	<u>168,348</u>
Total Net Assets	<u>\$ 515,438</u>	<u>\$ 537,212</u>
Revenues		
Charges for Services	\$ 339,383	\$ 315,820
Interest and Rentals	<u>2,683</u>	<u>2,908</u>
Total Revenues	<u>342,066</u>	<u>318,728</u>
Expenses-Public Safety	<u>363,840</u>	<u>349,176</u>
Change in Net Assets	<u>\$ (21,774)</u>	<u>\$ (30,448)</u>

At the end of the current fiscal year, the Fire Department is able to report positive balances in all three categories of net assets.

**Governmental activities.** Governmental activities decreased the Fire Department's net assets by \$21,774 mainly due the purchase of an ambulance and general inflationary increases.

Operating costs were up due to expanding Irving Township's territory and capital outlay was up due to purchase of an ambulance.

### Financial Analysis of the Fire Department's Funds

As noted earlier, the Fire Department used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Fire Department's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Fire Department's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Fire Department's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Fire Department's governmental fund reported an ending fund balance of \$159,371, a decrease of \$8,977 in comparison with the prior year. Last year, the Fire Department's governmental fund ending fund balance was \$168,348, which was a decrease of \$6,385 from the prior year.

The general fund is the chief operating fund of the Fire Department. At the end of the current fiscal year, unreserved fund balance of the general fund and the total fund balance was \$159,371. Unreserved fund balance represents 43.8% of the total general fund expenditures. In the prior year, the unreserved fund balance was \$168,348, which represented 48.2% of the total general fund expenditures.

### General Fund Budgetary Highlights

There were not any amendments to the original budget.

Although revenues exceeded budgetary estimates, expenditures were more than budgetary estimates and the Fire Department needed to draw upon its fund balance.

### Capital Assets

The Fire Department's investment in capital assets for its governmental activities as of June 30, 2005, amounts to \$356,067 (net of accumulated depreciation). This investment in capital assets includes: land, buildings, improvements, equipment and furniture and fixtures.

Major capital asset events during the current fiscal year included the purchase of an ambulance. Details of the Fire Department's capital assets are continued in the notes to financial statements on page 10.

### Economic Factors and Next Year's Budgets and Rates

BIRCH Rural Fire Department believes revenues will remain fairly constant. The majority of the Fire Department's revenue comes from Baltimore, Irving, Rutland, Carlton and Hastings Township's. Expected decreases in 2005-2006 state shared revenues may have an indirect effect on BIRCH Rural Fire Department. If Townships receive less state shared revenue, they will have less to spend and may spend less on fire protection. Other Townships depend on a fire millage for fire protection and if a fire millage does not pass, revenues could go down. BIRCH Rural Fire Department feels expenses will be up slightly during the next year due to inflation and the cost of fuel increasing. BIRCH has approved to spend up to \$5,000 for first responder kits for the volunteers and oxygen kits for the Chief and assistant Chief. The Board is discussing, with the City of Hastings, possible ways to build a new fire department. They are also exploring ways to finance with a new assessment formula based on taxable value, population, and average fire runs over a five-year period.

### Requests for Information

This financial report is designed to provide a general overview of BIRCH Rural Fire Department's finances for all those with an interest in the Fire Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Jim Brown at 855 River Road, Hastings, MI 49058. (269) 948-9690



**BIRCH RURAL FIRE DEPARTMENT  
GOVERNMENTAL FUND BALANCE SHEET -  
STATEMENT OF NET ASSETS  
June 30, 2005**

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<b>ASSETS</b>	<b>General Fund Modified Accrual Basis</b>	<b>Adjustments (See Notes)</b>	<b>Statement of Net Assets</b>
Cash and Cash Equivalents	\$ 38,001	\$ -	\$ 38,001
Investments	121,370	-	121,370
Capital Assets	-	356,067	356,067
Total Assets	<u>\$ 159,371</u>	<u>\$ 356,067</u>	<u>515,438</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	-
Total Liabilities	-	-	-
<b>FUND BALANCE / NET ASSETS</b>			
Fund Balances			
Unreserved-Undesignated	159,371	(159,371)	-
Reserved	-	-	-
Total Fund Balance	<u>159,371</u>	<u>(159,371)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 159,371</u>		
Net Assets			
Invested in Capital Assets-Net of Related Debt		356,067	356,067
Restricted		-	-
Unrestricted		<u>159,371</u>	<u>159,371</u>
Total Net Assets		<u>\$ 515,438</u>	<u>\$ 515,438</u>

The Notes to Financial Statements are an integral part of this statement.

**BIRCH RURAL FIRE DEPARTMENT**  
**STATEMENT OF GOVERNMENTAL REVENUE, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2005**

	<b>General Fund Modified Accrual Basis</b>	<b>Adjustments (See Notes)</b>	<b>Statement of Net Assets</b>
<b>Revenue</b>			
Charges for Services	\$ 339,383	\$ -	\$ 339,383
Interest and Rentals	<u>2,683</u>	<u>-</u>	<u>2,683</u>
<b>Total Revenue</b>	<u>342,066</u>	<u>-</u>	<u>342,066</u>
<b>Expenditures</b>			
Current:			
Public Safety:			
Audit Fees	1,825	-	1,825
Operating Costs-City of Hastings	329,268	-	329,268
Capital Outlay	19,950	(19,950)	-
Depreciation	<u>-</u>	<u>32,747</u>	<u>32,747</u>
<b>Total Expenditures</b>	<u>351,043</u>	<u>12,797</u>	<u>363,840</u>
<b>Excess of Revenue Over (Under)</b>			
<b>Expenditures / Change in Net Assets</b>	(8,977)	(12,797)	(21,774)
<b>Fund Balance/Net Assets - Beginning of Year</b>	<u>168,348</u>	<u>368,864</u>	<u>537,212</u>
<b>Fund Balance/Net Assets - End of Year</b>	<u>\$ 159,371</u>	<u>\$ 356,067</u>	<u>\$ 515,438</u>

The Notes to Financial Statements are an integral part of this statement.

**BIRCH RURAL FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the BIRCH Rural Fire Department conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the BIRCH Rural Fire Department:

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Fire Department's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all of the Fire Department's activities

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

**REPORTING ENTITY**

BIRCH Rural Fire Department was organized in 1979 by the Townships of Baltimore, Carlton, Hastings, Irving and Rutland to provide fire protection to the residents and property owners. BIRCH Rural Fire Department serves 100% of Baltimore, Hastings and Rutland Townships, approximately 56% of Carlton Township and 25% of Irving Township. BIRCH Rural Fire Department receives its revenues from dues based on the taxable value of property located in the Townships. BIRCH Rural Fire Department has entered into an agreement with the City of Hastings whereby the City houses and operates the BIRCH equipment. For this BIRCH Rural Fire Department agrees to pay the City of Hastings a percentage of the operating expenditures of the City Fire Department.

During the year, BIRCH Rural Fire Department entered into an additional separate one-year contract with Irving Township to provide fire services to additional Sections of Irving Township. This contract was not considered in the calculation of the equity interest in fixed assets.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING**

The Fire Department's basic financial statements include both government-wide (reporting the Fire Department as a whole) and fund financial statements (reporting the Fire Department's major funds).

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Fire Department's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expenses have a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Revenues are primarily derived from charges for services and interest and rentals to provide for the administration and operation of: (1) general BIRCH Rural Fire Department governmental departments, boards and commissions; and (2) fire protection.

**BIRCH RURAL FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND FINANCIAL STATEMENTS**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Fire Department reports the following major governmental funds:

- The General Fund is the Fire Department's primary operating fund. It accounts for all financial resources of the Fire Department.

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

Bank Deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Capital Assets - Capital assets are defined by the Fire Department as assets with an initial cost of \$500 or more. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land Improvements	20 years
Buildings	40 years
Furniture	10 years
Heavy Equipment	20 years
Fire Equipment	7 years
Other Equipment	7 years
Data Processing Equipment	5 years

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information - Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The Fire Department Boards prepares the annual budgets prior to June 30. Budgets for the general fund are adopted at the line item level and reported in the budgetary comparison schedule at this level.

**BIRCH RURAL FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ENCUMBRANCE ACCOUNTING**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by BIRCH Rural Fire Department.

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

During the year ended June 30, 2005, the Fire Department incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated, as follows:

<b>FUND</b>	<b>TOTAL APPROPRIATIONS</b>	<b>AMOUNT OF EXPENDITURES</b>	<b>BUDGET VARIANCE</b>
General			
Public Safety:			
Operating Costs	\$ 317,604	\$ 329,268	\$ 11,664
Capital Outlay	-	\$ 19,950	\$ 19,950
Audit Fees	-	\$ 1,825	\$ 1,825

**DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws Section 129.91, authorizes the Fire Department to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Fire Department has designated one bank and one savings bank for the deposit of BIRCH Rural Fire Department funds.

The Fire Department's deposits and investments are in accordance with statutory authority.

At year-end, the Fire Department's deposits and investments were reported in the basic financial statements in the following categories:

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>TOTAL PRIMARY GOVERNMENT</b>
Cash and Cash Equivalents	\$ 38,001	\$ 38,001
Investments	121,370	121,370
Restricted Assets	-	-
Total	<u>\$ 159,371</u>	<u>\$ 159,371</u>

**BIRCH RURAL FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005**

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**DEPOSITS AND INVESTMENTS (Continued)**

The breakdown between deposits and investments is:

	<b><u>TOTAL PRIMARY GOVERNMENT</u></b>
Cash and Cash Equivalents (Checking and Savings Accounts, Certificates of Deposit)	\$ 159,371
Investment in Securities (Mutual Funds and Similar Vehicles)	-
Petty Cash and Cash on Hand	<u>-</u>
Total	<u>\$ 159,371</u>

At June 30, 2005, the Fire Department had deposits with a carrying amount of \$159,371 and a bank balance of \$159,371. Of the bank balance, \$138,001 is covered by federal depository insurance, \$21,370 is uninsured and \$0 is collateralized.

**CAPITAL ASSETS**

Capital asset activity for the current year was as follows:

	<b><u>BALANCE 06/30/04</u></b>	<b><u>ADDITIONS</u></b>	<b><u>RETIRE- MENTS</u></b>	<b><u>BALANCE 06/30/05</u></b>
Capital Assets Being Depreciated				
Equipment	\$ 653,122	\$ 19,950	\$ -	\$ 673,072
Subtotal	653,122	19,950	-	673,072
Less: Accumulated Depreciation	<u>284,258</u>	<u>32,747</u>	<u>-</u>	<u>317,005</u>
Capital Assets-Net of Depreciation	<u>\$ 368,864</u>	<u>\$ (12,797)</u>	<u>\$ -</u>	<u>\$ 356,067</u>

Depreciation expense was charged to programs as follows:

Governmental Activities:	
Public Safety	\$ <u>32,747</u>
Total Governmental Activities	<u>\$ 32,747</u>

**COMMITMENTS**

In the year ended June 30, 1999, Birch Rural Fire Department entered into an agreement with the Hastings Fire Department to provide \$100,000 for the purchase of a highboy. Birch will pay Hastings Fire Department at the rate of \$10,000 per year, for ten years. As of June 30, 2005, Birch Fire Department has paid \$60,000, leaving \$40,000 in future payments to make. These payments are included in the Operating Costs amount in the Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance - Statement of Activities.

**BIRCH RURAL FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005**

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**RISK MANAGEMENT**

The Fire Department is exposed to various risks of loss related to property loss, torts, errors and omissions. The Fire Department's insurance for general liability, excess liability, auto liability, trunk-line liability, errors and omissions, and physical damage (equipment, buildings and contents) is provided by the City of Hastings through an insurance company. Settled claims have not exceeded the amount of insurance coverage in any of the past three years.

**RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Total fund balance and the net change in fund balance of the Fire Department's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance.

The following is a reconciliation of fund balance to net assets:

<b>Total Fund Balance - Modified Accrual Basis</b>			<b>\$ 159,371</b>
Amounts reported in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources			
and therefore are not reported in the funds			
Governmental capital assets	\$ 673,072		
Less: Accumulated depreciation	<u>(317,005)</u>	<u>356,067</u>	
<b>Net Assets of General Fund - Full Accrual Basis</b>			<b><u>\$ 515,438</u></b>

The following is a reconciliation of the net change in fund balance to the net change in net assets:

<b>Net Change in Fund Balances - Modified Accrual Basis</b>			<b>\$ (8,977)</b>
Amounts reported in the statement of net activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the			
Statement of Activities, the cost of those assets is depreciated over their			
estimated useful lives			
Expenditures for capital assets	\$ 19,950		
Less: Current year depreciation	<u>(32,747)</u>	<u>(12,797)</u>	
<b>Change in Net Assets of General Fund - Full Accrual Basis</b>			<b><u>\$ (21,774)</u></b>

**BIRCH RURAL FIRE DEPARTMENT**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b>Revenue</b>				
Charges for Services	\$ 317,775	\$ 317,775	\$ 339,383	\$ 21,608
Interest and Rentals	<u>-</u>	<u>-</u>	<u>2,683</u>	<u>2,683</u>
<b>Total Revenue</b>	<u>317,775</u>	<u>317,775</u>	<u>342,066</u>	<u>24,291</u>
<b>Expenditures</b>				
Current:				
Public Safety:				
Audit Fees	-	-	1,825	(1,825)
Operating Costs-City of Hastings	317,604	317,604	329,268	(11,664)
Capital Outlay	<u>-</u>	<u>-</u>	<u>19,950</u>	<u>(19,950)</u>
<b>Total Expenditures</b>	<u>317,604</u>	<u>317,604</u>	<u>351,043</u>	<u>(33,439)</u>
<b>Excess of Revenue Over Expenditures</b>	171	171	(8,977)	(9,148)
<b>Fund Balance - Beginning of Year</b>	<u>168,348</u>	<u>168,348</u>	<u>168,348</u>	<u>-</u>
<b>Fund Balance - End of Year</b>	<u>\$ 168,519</u>	<u>\$ 168,519</u>	<u>\$ 159,371</u>	<u>\$ (9,148)</u>



**BIRCH RURAL FIRE DEPARTMENT**  
**SCHEDULE OF EQUITY INTEREST IN FIXED ASSETS**  
For the Year Ended June 30, 2005

<u>FIXED ASSETS</u>	<u>DATE PURCHASED</u>	<u>BALTIMORE</u>	<u>IRVING</u>	<u>RUTLAND</u>	<u>CARLTON</u>	<u>HASTINGS</u>	<u>TOTAL</u>
Mobile Radio Unit	Mar-81						
\$ Share		142	64	394	106	229	935
% Share		15.18%	6.81%	42.17%	11.29%	24.55%	100.00%
Generators - 2	Jan-85						
\$ Share		370	72	650	276	495	1,863
% Share		19.85%	3.89%	34.89%	14.84%	26.53%	100.00%
Tanker Truck - 1986	Aug-86						
\$ Share		12,383	3,284	24,625	8,803	18,205	67,300
% Share		18.40%	4.88%	36.59%	13.08%	27.05%	100.00%
Radio	Dec-88						
\$ Share		98	44	274	73	159	648
% Share		15.18%	6.81%	42.17%	11.29%	24.55%	100.00%
Ford F-150 w/Slide-in Unit	Nov-89						
\$ Share		5,294	1,210	10,196	3,676	7,559	27,935
% Share		18.95%	4.33%	36.50%	13.16%	27.06%	100.00%
Portable Pump	Jan-90						
\$ Share		594	121	1,146	408	868	3,137
% Share		18.95%	3.85%	36.52%	13.01%	27.67%	100.00%
Mobile Radio & Control	Dec-92						
\$ Share		84	38	234	62	136	554
% Share		15.18%	6.81%	42.17%	11.29%	24.55%	100.00%

**BIRCH RURAL FIRE DEPARTMENT**  
**SCHEDULE OF EQUITY INTEREST IN FIXED ASSETS**  
For the Year Ended June 30, 2005

<b>FIXED ASSETS</b>	<b>DATE PURCHASED</b>	<b>BALTIMORE</b>	<b>IRVING</b>	<b>RUTLAND</b>	<b>CARLTON</b>	<b>HASTINGS</b>	<b>TOTAL</b>
GPM 1992 Pumper & Equip	Jan-93						
\$ Share		33,152	8,101	75,683	25,739	53,956	196,631
% Share		16.86%	4.12%	38.49%	13.09%	27.44%	100.00%
Storage Cupboards	Dec-93						
\$ Share		76	35	211	57	121	500
% Share		15.18%	6.81%	42.17%	11.29%	24.55%	100.00%
GE MDX Mobile Radio	Oct-96						
\$ Share		106	47	293	78	171	695
% Share		15.18%	6.81%	42.17%	11.29%	24.55%	100.00%
1997 IHC 4900 4X2 Fire Truck	Dec-96						
\$ Share		19,747	5,739	49,016	16,577	34,218	125,297
% Share		15.76%	4.58%	39.12%	13.23%	27.31%	100.00%
200 Gallon Poly Tank	Jun-99						
\$ Share		388	145	1,019	320	682	2,554
% Share		15.18%	5.66%	39.91%	12.53%	26.72%	100.00%
4 Pioneer Scuba Tanks	Apr-99						
\$ Share		1,523	568	4,005	1,257	2,681	10,034
% Share		15.18%	5.66%	39.91%	12.53%	26.72%	100.00%
1997 FL70 Freightliner w/equip	Nov-00						
\$ Share		24,684	10,523	71,145	21,267	42,381	170,000
% Share		14.52%	6.19%	41.85%	12.51%	24.93%	100.00%

**BIRCH RURAL FIRE DEPARTMENT**  
**SCHEDULE OF EQUITY INTEREST IN FIXED ASSETS**  
For the Year Ended June 30, 2005

<b>FIXED ASSETS</b>	<b>DATE PURCHASED</b>	<b>BALTIMORE</b>	<b>IRVING</b>	<b>RUTLAND</b>	<b>CARLTON</b>	<b>HASTINGS</b>	<b>TOTAL</b>
Chevy 3/4 Ton Truck	Jun-02						
\$ Share		4,132	1,650	10,964	3,239	6,453	26,438
% Share		15.63%	6.24%	41.47%	12.25%	24.41%	100.00%
Drop-In Unit from Wolverine	Jul-02						
\$ Share		1,745	737	4,610	1,405	2,738	11,235
% Share		15.53%	6.56%	41.03%	12.51%	24.37%	100.00%
Equipment	Aug-03						
\$ Share		698	304	1,901	543	1,095	4,541
% Share		15.37%	6.69%	41.86%	11.95%	24.13%	100.00%
V Series Foam Sytems w/Tank	Jun-04						
\$ Share		434	189	1,183	338	681	2,825
% Share		15.37%	6.69%	41.86%	11.95%	24.13%	100.00%
1998 Marque Ambulance	Mar-05						
\$ Share		3,028	1,359	8,413	2,252	4,898	19,950
% Share		15.18%	6.81%	42.17%	11.29%	24.55%	100.00%
Total Fixed Assets							
Total \$ Share		\$ 108,678	\$ 34,230	\$ 265,962	\$ 86,476	\$ 177,726	\$ 673,072
Total % Share		<u>16.15%</u>	<u>5.09%</u>	<u>39.51%</u>	<u>12.85%</u>	<u>26.40%</u>	<u>100.00%</u>